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INTEROFFICE MEMO



County of San
Bernardino

DATE May 16, 2002

PHONE 387-5410

FROM VALERIE CLAY
Deputy Administrative Officer

TO THE HONORABLE BOARD OF SUPERVISORS

SUBJECT 2002-03 REVISED FINANCING PLAN FOR 2002-03 BUDGET WORKSHOP

A 2002-03 Budget Financing Plan was presented to the Board on February 26, 2002. A copy of that agenda item is attached for your reference. That plan provided the basis for distributing locally financed budget targets to general fund departments to develop their 2002-03 budgets. Enclosed in this workbook are the departmental budgets submitted and reviewed by the County Administrative Office. The analysis of each department's budget is presented in the same format as in the prior year. This analysis shows the Board Approved Base Budget, which includes the approved costs mentioned in the February financing plan and any other Board approved agenda items. The analysis also highlights any recommended program funded adjustments that the departments included in their budget within their budget targets. Any program or workload changes that could not be financed within the department's current allocation are presented as policy items in this workbook. Fee ordinance adjustments are not incorporated in the enclosed budgets, but are included for approval.

Revised 2002-03 Financing Plan

Since February 26, 2002 the County has received additional actual data on discretionary revenue as well as departmental activity from February through April. This new information was analyzed and the County Administrative Office is revising the County's 2002-03 financing plan as follows:

	Ongoing	One-time	Total
Financing Available as of 2/26/02 (less Tobacco)	9.8	14.6	24.4
Increased Revenue Sources:			
Increase in Discretionary Revenue	2.3		2.3
Increase in Fund Balance		14.2	14.2
Increased Expenses:			
Board Approved After February	<u>(1.5)</u>	<u>(0.4)</u>	<u>(1.9)</u>
Subtotal Revised Financing Available	10.6	28.4	39.0
CAO Recommended Expenses		<u>(5.7)</u>	<u>(5.7)</u>
General Fund Financing Available	10.6	22.7	33.3
Tobacco Settlement Revenue	<u>.7</u>	<u>3.4</u>	<u>4.1</u>
Total Financing Available as of 5/14/02	11.3	26.1	37.4

INCREASED REVENUE SOURCES

Discretionary Revenue (\$2.3 Million Net Increase)

Property Tax +1.0 million: Property tax projections have been increased to reflect positive roll corrections in the current year combined with the estimated 6% assessed valuation growth.

Vehicle License Fees +1.7 million: Vehicle license fee projections have been increased to reflect higher than expected growth in the last half of 2001-02. The 2002-03 budget continues to reflect a 5% projected growth rate over current year estimated actuals.

Interest Revenues (3.3) million: Interest revenue is expected to decline an additional 3.3 million from February projections due to projected decreased interest earnings on the Tax and Revenue Anticipation Notes (TRANS). This is due both to the decreased size of the borrowing and historical lows in short term interest rates. Interest earnings on the pool are also expected to decline due to lower investment rates.

Sales Tax (0.6) million: Sales tax is expected to grow over current year estimated actuals, however recovery from current year declines in sales tax has been milder than expected. As a result, sales tax budget for 2002-03 has been decreased \$0.6 million from 2001-02 budget.

COWCAP +2.2 million: COWCAP projections have increased in response to receipt of the final billing schedule from the Auditor/Controller's office.

Property Tax Administration +0.9 million: Property Tax administration fees have increased to reflect increased costs of extending the roll.

Other +0.4 million: Proceeds from unclaimed property tax refunds is increased \$0.2 million to reflect higher than projected receipts in the last two fiscal years and franchise fees is increased \$0.2 million based on actual receipts as of April 2002.

Fund Balance (\$14.2 Million Increase)

For several different reasons, the County Administrative Office is expecting a significantly higher fund balance at the end of 2001-02. First, as a result of GASB 33, certain county trust funds had to be closed out and recognized as revenue. This resulted in an unexpected revenue increase of \$5.2 million. Second, during the year the Board approved three-year agreements with general and exempt employees, which were estimated to cost \$3.8 million. Now that the year is almost to the end, it appears that the majority of the departments were able to cover this additional cost within their budget due to vacancy savings. Third, \$2.1 million was realized in the current year as a result of debt refinancing that occurred in April 2002. The remaining increase in fund balance is mainly due to higher projections in property tax, vehicle license fees and franchise fees.

INCREASED EXPENSES

After February 26, 2002 the Board of Supervisors approved additional ongoing costs totaling \$1.5 million. These costs include staffing for the District Attorney and Public Defender as a result of new judgeships, funding for an Assistant Public Defender, funding for an additional payroll technician for Short Term Disability and Workers Comp. Payments, and funding for additional costs related to the revised exempt salary agreement.

In addition, in accordance with Board policy, an additional \$0.4 million was needed to fund the mandatory level of contingencies and reserves due to the revised financing plan.

CAO RECOMMENDED EXPENSES

The County Administrative Office is recommending two items to be included in the revised financing plan related to capital improvement projects and a debt reduction plan. Even though the County Administrative Office is recommending these items at this time, these expenditures will not be incurred until the total impact of the State Budget Shortfall are known.

Capital Improvement Program (\$3.6 Million Increase)

The 2002-03 Budget Financing Plan, approved by the Board on February 26, 2002 included \$3,000,000 in local cost for the Capital Improvement Program (CIP). After the CIP call was issued in October 2002, 279 project requests were received from 19 departments totaling over \$331.4 million. That list has been reduced to \$18,411,251, which includes \$5,132,000 in general fund financed projects, and \$13,279,251 million in projects for which the general fund will be reimbursed.

Included in the \$5,132,000 general fund financing is the \$3,000,000 earmarked in February, a reallocation of \$730,000 available from savings in projects to be completed in 2001-02, \$1,145,000 in sale proceeds from the Gilbert Street property to the San Bernardino Joint Unified School District, and an additional \$257,000 from the general fund which is included in the revised financing plan. The savings in completed projects and the sales proceeds is additional discretionary revenue that could be spent elsewhere if the Board desires.

The workbook also contains a list of projects to be considered for potential one time funding totaling \$3,330,000. This amount is included in the revised financing plan. Projects on this list include continued work to upgrade the Glen Helen water system, HVAC replacements for ISD and the Redlands Court building, replacement of the pool filtration system at Cucamonga Guasti Regional Park, and additional parking lot pavement improvements.

Refinancing Savings Used to Reduce Debt (\$2.1 Million)

Refinancing of the 1992 Justice Center/Airport Improvement project generated \$2.1 million in general fund savings in 2001-02. This amount is included in the revised fund balance mentioned above. The County Administrative Office is recommending using this \$2.1 million towards paying down debt. In addition, the 2001 West Valley Detention Center refinancing will produce \$1,055,777 in general fund savings in 2002-03 and is not needed in the Joint Powers Lease budget. This makes a total of \$3.2 million available due to debt refinancings. It is recommended that this \$3.2 million be used to pay down the Glen Helen taxable debt. A principal reduction of \$3.2 million would reduce the required appropriation in the Joint Powers Lease budget an average of \$260,000 per year over the next 22 years. This ongoing appropriation of \$260,000 would then be available for allocation to other programs. The County's Debt Advisory Committee concurred with the CAO recommendation at their meeting on May 8, 2002.

TOBACCO SETTLEMENT REVENUE

Although the Tobacco Settlement proceeds are collected in a special revenue fund, the Board of Supervisors has discretion on where this money is spent. Due to 2001-02 activity this fund has one-time money totaling \$3.4 million. This money was from higher than anticipated revenue in the current year, resolution of a dispute with a tobacco company resulting in release of money previously withheld and one-time reimbursements from non-participating counties for attorney costs. The County Administrative Office has also revised the ongoing increase in this revenue by \$0.3 million, bringing the total ongoing increase to \$0.7 million, due to interest earnings and actual receipts in the current year.

In conclusion, the total tobacco settlement money available in 2002-03 is \$24.2 million, of which \$17.7 million is to be applied towards the ARMC Debt Service and \$0.4 million still to be spent on the 2000-01 allocation for tobacco cessation contracts. The remaining \$6.1 million is still available for allocation by the Board of Supervisors (\$4.1 million as detailed on page one and \$2.0 million included in the base budget). Although not designated as such, the \$2.0 million could also be part of available financing by the County.

POTENTIAL UNFUNDED ISSUES

If the Board concurs with the CAO recommendations, the financing still available for appropriation is \$37.4 million (\$11.3 ongoing and \$26.1 one-time). Although a number of departmental policy items are included in this budget submittal, the County Administrative Office is recommending to not fund these requests at this time until the upcoming State Budget is finalized and the County impact is known. The County Administrative Office is also recommending to budget these available amounts in contingencies to address the following major issues that may face the County in the near future:

1. State Budget Changes
2. Salary Negotiations
3. West Valley Juvenile Expansion – Staffing and Utilities
4. Pending Litigation
5. Retirement Issues
6. Employee Health Care Costs
7. Property Insurance Increases
8. Building and Construction Costs related to County Space Master Plan
9. HIPAA Consultant/Implementation
10. Health Care Administration Building
11. County Matches for Grants
12. Upgrade County Financial Accounting System to Web Based Format

GASB 33 & 34 IMPACT TO BUDGET

There are two Government Accounting Standards Board (GASB) Statements that impacted the 2002-03 County Budget. GASB 33 established accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. A nonexchange transaction is where a government gives or receives value without directly receiving or giving value in return. Some examples of nonexchange transactions are taxes, grants, fines, donations, and state and federal funding. The main impact of GASB 33 is that revenue must be recognized for the above transactions when the underlying exchange has occurred or when eligibility requirements are met. If cash is received before the eligibility requirements are satisfied, the county records the transaction as an advance. Therefore, money that is received under this criteria and was previously set aside in trust funds must now be recognized when received and trust funds that are not fiduciary in nature must be eliminated. As a result, money previously in trust funds must be recognized as revenue in 2001-02, new special revenue funds must be added in the 2002-03 budget, more operating transfers must be budgeted and two new reserves must be set up as described below.

Government Accounting Standards Board (GASB) Statement 34 established new requirements for the annual financial reports of state and local governments. There are many components of GASB 34, but, as it relates to the budget, it is primarily composed of how services provided between county budget units are accounted for. GASB 34 specifies how payments for services should be accounted for, i.e. either as reimbursements or as revenues. While the net impact is zero, reclassifications between these two categories cause inconsistencies when comparing year to year budgets by specific expense or revenue categories. In situations where this impact is significant, the departments have included an explanation of the reclassification.

TEETER RESERVE

In 1993-94, the County adopted the "Teeter Plan" method of secured property tax distribution. The Teeter Plan provides for distribution of property taxes to participating entities based on the total tax levy. When collections are inadequate to cover the amount of taxes owed, the County makes up the difference. In return the County receives all future delinquent tax payments, penalties and interest. The penalties and interest are deposited into a Tax Loss Reserve Fund.

Pursuant to GASB 33, the Tax Loss Reserve Fund must be closed out to the general fund. However, the Revenue and Taxation Code requires the County to set aside a portion of this money equal to at least 1% of the current property tax roll. This set aside is to cover any losses that may be incurred when property is sold at a tax sale. To meet this requirement a new general fund reserve must be established. The County Administrative Office is recommending a set aside of 3% of the current property tax roll, instead of the required 1%, for a total of \$18.9 million. This conservative set aside is based on insufficient experience on which to base an estimate, and tax sales have not been held in sufficient quantity to make a sound estimate.

RESTITUTION RESERVE

The Restitution Trust Fund was set up to account for monies received as part of the ongoing corruption lawsuit. Pursuant to GASB 33, the Restitution Revenue trust fund must be closed out and a general fund reserve has been set up in its place. The county has received to date \$7.6 million from the ongoing corruption lawsuit and has earned \$0.6 million in interest on this money. On January 29, 2002, the Board approved the use of this money to pay for attorney costs the county is incurring related to the corruption lawsuit. Attorney costs to date and estimated uses for the remainder of 2001-02 and 2002-03 of approximately \$3.0 million has been or will be reimbursed with this money leaving a balance of \$5.2 million which is now set up as a reserve.

**REPORT/RECOMMENDATION TO THE BOARD OF SUPERVISORS
OF SAN BERNARDINO COUNTY, CALIFORNIA
AND RECORD OF ACTION**

2002-03 Budget

February 26, 2002

FROM: VALERIE CLAY
Deputy Administrative Officer

SUBJECT: 2002-03 BUDGET FINANCING PLAN

RECOMMENDATION:

1. Review the financing and program issues identified in this report, including the spending and income projections used to develop the 2002-03 proposed budget financing plan, and the County Administrative Officer recommendations for funding allocations.
2. Provide direction as to any policy or program funding needs, which should be incorporated into the budget plan at this time.
3. Direct the County Administrative Officer to distribute departmental budget targets based on the data and conclusions in this report, as modified by further Board action and work with departments in developing the 2002-03 proposed budget.

BACKGROUND INFORMATION: As in the prior year the 2002-03 budget process begins in late February in order to allow time for budget workshops to be held in late May in advance of the budget hearings to be held in June.

This report is the initial step towards development of the 2002-03 final budget. This report will be used as the basis for the development of budget targets to be issued to county departments and to define base line adjustments to be included in those targets. This report will also identify some of the policy and program issues that the Board may wish to consider at this time, or in the budget workshops to be held in May.

The May workshops will provide an opportunity to revisit an updated financing plan and to provide a review of individual department budget proposals. Through this process the County Administrative Officer may receive additional Board direction on countywide policy or program issues towards development of the 2002-03 budget.

As in prior years the budget hearings will be held in June in anticipation of the final budget to be adopted on June 25, 2002. Components of the financing plan included in this report are:

- Analysis of current year budget status and an estimate of year-end fund balance.
- Analysis of state and federal budget possible impacts to the county.
- Analysis of the FY 2002-03 financing plan: 1) Increased Financing Available, 2) Base Line Budget Cost Adjustments, and 3) 2% Local Cost Reduction
- Review of county policies as to use of one-time funds and general-purpose revenues.
- Conclusion

Page 1 of 13 pages

cc: CAO-Clay
Auditor
File

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Record of Action of the Board of Supervisors

**APPROVED BOARD OF SUPERVISORS
COUNTY OF SAN BERNARDINO**

MOTION	MOVE	SECOND	AYE	AYE	AYE
	1	2	3	4	5

J. RENEE BASTIAN, CLERK OF THE BOARD

BY

DATED: February 26, 2002

ITEM 114

CURRENT YEAR BUDGET STATUS

Analysis of the current year's budget status shows an overall healthy estimate of year-end fund balance. Although there is a significant Proposition 172 revenue shortfall for the Sheriff, District Attorney and Probation budgets and there is additional costs to be incurred related to the recently approved salary negotiations, most departmental expenditures and revenues are generally on track.

Overall increases in discretionary revenue include both revenue sources unanticipated in the adopted budget and strong performance in Property Tax, Vehicle License Fees and interest earnings. Also included are funds available in the county general fund contingency account.

All these factors would lead to an estimated fund balance of \$25.7 million.

YEAR-END FUND BALANCE ESTIMATE	
Mitigated Proposition 172 Revenue Shortfall	(5.3)
Recently Approved Salary Negotiations	(3.8)
All other Departmental Operations	<u>3.4</u>
Total Departmental Operations	(5.7)
Current Balance in Contingencies	19.4
Estimated Use in the Remainder of the Year	<u>(2.0)</u>
Balance Remaining in Contingencies	17.4
Property Tax Revenue	3.5
Vehicle License Fees	4.5
Interest Earnings	2.8
Sales Tax	(1.0)
Federal Marshal Revenue	(3.3)
Other Revenue	<u>4.2</u>
Total Non Departmental Revenue	10.7
Cancel Contribution to Justice Facilities Reserve	3.3
Estimated Year-End Fund Balance	<u>25.7</u>

The components of estimated fund balance are discussed below:

Proposition 172 Revenue Shortfall - \$5.3 million in additional costs

Prop 172 revenues are the one-half percent sales tax received from the state for public safety activities. In accordance with Board direction this revenue is split between the Sheriff (70%), District Attorney (17.5%) and Probation (12.5%). Recent projections point to a potential shortfall of up to \$8.8 million in Proposition 172 revenues in 2001-02 due to the current economic downturn. The County Administrative Office has requested the respective departments to curtail expenses in this year by a total of \$3.5 million to mitigate this revenue shortfall this year. This estimate is based on curtailing these expenses.

**BOARD OF SUPERVISORS
2002-03 BUDGET FINANCING PLAN
February 26, 2002
Page Three**

Salary Negotiations - \$3.8 million in additional costs

The county will incur \$3.8 million in additional general fund cost this year due to the recently approved three-year agreements for general and exempt employees. Other additional current ongoing contract negotiations are not included in this estimate.

All Other Departmental Operations - \$3.4 million savings

Overall the remaining general fund departments are generally on track. Savings in the Auditor, Treasurer and the joint powers lease budgets contribute to an estimated \$2.8 million in savings.

Remaining Balance in Contingencies - \$17.4 million

The current balance in contingencies is \$19,368,029. It is estimated that the Board may use another \$2.0 million from contingencies for issues such as pending litigation and salary negotiations.

Property Tax Revenue - \$3.5 million additional revenue

It is estimated that property tax revenues will exceed budget by \$3.5 million. This is due to larger than expected secured and unsecured property values. Secured property values that are not in redevelopment project areas have increased 5.7% over the prior year. Secured property values in redevelopment project areas increased 11% over the prior year. These percentage increases demonstrate that San Bernardino County residential real estate has been appreciating and residential and industrial building activity has been strong.

Vehicle License Fees - \$4.5 million additional revenue

Prior to September, this revenue source continued to display the strong growth experienced over the last several years. However, vehicle license fee revenues declined sharply in the month of September followed by a significant increase in sales in October due to financial incentives offered by auto manufacturers. November and December sales also show growth from the prior year, however, January sales were flat from the prior year. Therefore, this estimate assumes no growth for the remainder of the fiscal year. As an aside, this is the revenue source that the state currently backfills at 67.5%.

Interest Earnings - \$2.8 million additional revenue

Yields earned by the county investment pool continue to be higher than yields currently available in other governmental portfolios, which has helped to protect the county's interest revenues from the short-term interest rate reductions that have been experienced in the market. In addition, interest is expected to exceed budget by \$2.8 million primarily due to higher than expected interest earnings associated with the 15-Month Tax and Revenue Anticipation Notes.

Sales Tax - (\$1.0) million

Sales tax revenue received is for the unincorporated area of the county only. This revenue is expected to come in below budget by \$1.0 million due to the current economic downturn. This shortfall is 7% of the sales tax revenue budget.

Federal Marshal – (\$3.3) million

Preliminary estimates indicate this revenue source may under-perform by \$3.3 million due to decreased federal inmate population. CAO staff will continue to work with the Sheriff to monitor inmate population trends in our local facilities. This was the funding to be used to make a contribution to the Justice Facilities Reserve.

Other Revenue – \$4.2 million unanticipated and additional revenue

Other revenues reflect the close out of a \$1.2 million property tax litigation trust fund that is no longer necessary. Payment In Lieu of Taxes revenue received is \$0.4 million more than budgeted this fiscal year. Other revenue includes \$1.1 million from the restitution revenue trust fund to cover prior year expenses. Other revenue also includes other taxes such as aircraft tax, property transfer tax, hotel/motel tax, franchise fees and property tax administration and supplemental fees and COWCAP, which in total are expected to exceed budget by over \$1.5 million.

Justice Facilities Reserve – \$3.3 million

Since the Federal Marshal Revenue did not materialize as budgeted, there will be no contribution to the Justice Facilities Reserve in the current year.

STATE AND FEDERAL BUDGET OUTLOOK

Recognizing that the state and federal budget process is still in its early stages, San Bernardino County's draft financing plan for 2002-03 currently assumes no state or federal budget impacts. This year the county must pay close attention to the state budget due to its projected shortfall of \$12.5 billion. There are areas in the current proposed budgets that may impact the county and there are areas that the county may have exposure to if the current budgets were modified. Discussed below are these areas:

Key state budget issues of interest to counties include:

- **Disproportionate Share Hospital (DSH) Administration Fee:** The actual impact of the proposed increase of \$55 million in the state's administrative fee for Disproportionate Share Hospitals is unknown at this time. This fee would come off the top before DSH is distributed to the hospitals. The potential impact of the DSH administrative fee could be an approximately \$2.2 million decrease in Arrowhead Regional Medical Center (ARMC) revenue. This is based on the county's approximately 4% share of the \$55 million cut.
- **Child Health and Disability Prevention (CHDP):** The proposal to dismantle the Child Health and Disability Prevention program would immediately eliminate the \$336,000 CHDP allocation to the Department of Public Health, which supports 5.1 positions of clerical and nursing staff. It would also result in an accelerated decrease in revenues from Child Health clinics, of which \$250,000 has come from CHDP fees for well child health screenings. These funds support approximately 7.5 positions of clinical and clerical staff. The reduced CHDP revenue for clinic work would perhaps be partially offset for a limited period by increased Medi-Cal revenue.

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- **In-Home Supportive Services:** The proposed budget could require additional local funds for provider payments. The state's provider payment rate for San Bernardino County is stated as \$6.75/hr and the county is currently paying more. If the county continues paying the higher rate, the state may not participate in the difference, which could require more local cost than projected, unless hours per case or cases are reduced, which may not be feasible.
- **County Library:** The Governor proposes reducing the Public Library Fund again by \$11.2 million. This would reduce the county's total state aid to approximately \$1,463,776, compared to the budgeted \$2,031,000 -- a shortfall of \$567,000.
- **Vehicle License Fee Backfill:** Although the elimination of the 67.5% backfill of vehicle license fees was not mentioned in the 2002-03 Governor's Budget, there is still the risk that the final budget adoption may include some provision that will impact the county's vehicle license fee revenues. The county receives more than \$100 million in vehicle license fees; therefore, there is a potential of a \$67.5 million shortfall if the state does not backfill this revenue.

Key federal budget issues of interest to counties include:

- **Medicaid Upper Payment Limit:** The federal Health and Human Services Department reduced the upper payment limit (UPL) for public hospitals from 150 percent to 100 percent. This is a significant impact to public and other hospitals in California that provide Medi-Cal. These cuts will be offset by Disproportionate Share Hospital payments for the first two years of implementation and there will be a 5 to 8 transition period to lower the UPL. Arrowhead Regional Medical Center estimates that it will lose \$10 million when the phase out is completed.
- **SCAAP:** The President proposes to eliminate funding for the State Criminal Alien Assistance Program (SCAAP). California received over 40 percent of last year's \$565 million SCAAP authorization. The President last year proposed to reduce SCAAP by more than half, but Congress prevailed at maintaining the appropriation at the previous year's level. Hopefully, the Congress will prevail again since the Sheriff Department currently receives \$700,000 to \$1,000,000 annually from this program.

Administrative Office staff will continue to monitor the state and federal budgetary process. Legislative reactions to the Governor's initial proposal, and revisions released in May, will provide further insight regarding the local impacts of evolving budget policy.

FY 2002-03 FINANCING PLAN

INCREASED FINANCING AVAILABLE TO FUND THE 2002-03 BUDGET

Projections for new financing available for next year's budget include \$32.3 million in ongoing funding sources and includes \$25.7 million in fund balance as a one-time source as summarized on the chart below:

FINANCING AVAILABLE FOR 2002-03			
	Ongoing	One-time	Total
Beginning Financial Position	11.3		11.3
New Discretionary Revenue	18.0		18.0
New Restricted Revenue	3.0		3.0
Estimated Fund Balance Available		25.7	25.7
Total New Financing Available	32.3	25.7	58.0

Beginning Financial Position - \$11.3 million

The 2001-02 budget included \$30.5 million in one-time funding sources. The budget also included \$41.8 million in one-time costs. The difference of \$11.3 million represents one-time costs that were financed through ongoing financing sources. This ongoing financing is available for reallocation in the 2002-03 budget and is defined for the purposes of this report as the beginning financial position. A listing of these specific sources and costs are provided below.

2002-03 BEGINNING FINANCIAL POSITION	
	General Fund Millions
Eliminate One-Time Financing Sources	
2001-02 Fund Balance	(30.5)
Total One Time Sources	(30.5)
Eliminate One-Time Costs	
Contingencies	29.2
Prior Year Policy Item	0.1
High Priority Policy Needs Rollover	1.1
Contribution to General Reserve	2.8
Contribution to CIP	8.6
Total One Time Costs	41.8
2002-03 Beginning Financial Position	11.3

New Discretionary Revenue - \$18.0 million

New discretionary revenue is outlined in the chart below. The growth from prior year's budget in discretionary countywide revenues is estimated to be \$18.0 million and is based on the following.

NEW DISCRETIONARY REVENUE	
Property tax AV growth	8.4
Motor Vehicle License Fee	9.9
Interest	(3.6)
Other	3.3
Total New Ongoing Discretionary Financing	18.0

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- Property tax revenue is expected to increase by \$8.4 million based on an assessed valuation growth of 4% over current year projected actuals.
- Growth is still expected, although at a slower rate than in previous years, in vehicle license fee revenues. These estimates are based on projected over-performance in the current year combined with forecasts by a local economist.
- Interest is expected to decrease by \$3.6 million for next year. This is due to an IRS ruling which prohibits the issuance of a 15-Month Tax and Revenue Anticipation Notes (TRANS) and the reduction of interest payback received from other entities, as 2001-02 is the last full year of the payoff.
- Other revenue showed increases in franchise fees, property tax administration fees, Payment in Lieu of Taxes revenue, and other taxes.

New Restricted Revenue - \$3.0 million

The chart below displays the expected growth in restricted revenues for 2002-03.

NEW RESTRICTED REVENUE	
Realignment Revenue	2.6
MSA Projected Increase	.4
Total Ongoing Restricted Revenue	3.0

- The growth in realignment revenue is restricted to social services and health programs within HSS.
- The Master Settlement Agreement (MSA) revenue growth represents an increase in Tobacco Settlement Funds. The financing plan assumes no change in direction for the use of MSA funds. The estimate for MSA proceeds in 2002-03 is \$20.1 million. This is an increase of \$.4 million from what was budgeted in the current fiscal year. This would provide \$17.7 million to be applied towards ARMC Debt Service and leave \$2.4 million available for allocation by the Board of Supervisors.

Fund Balance - \$25.7 million

The components of fund balance were discussed in the Current Year Budget Status section of this report.

BASE LINE BUDGET COST ADJUSTMENTS

The prior sections of this report addressed the financing available for 2002-03. This section will address new costs. The chart below summarizes the adjustments to the base line budget that are included in the financing plan for both one-time and ongoing costs. Following the chart is a brief description of each cost component.

BASE LINE BUDGET ADJUSTMENT	
General MOU 3%	11.8
Safety MOU 5%	3.9
Retirement rate adjustments	0.0
Contribution to Unfunded Fire Area	0.5
Contribution to Office of Emergency Services	0.5
Contribution to CSA 38 for MOU	0.1
Rate changes	(0.5)
Debt service	(4.0)
Inflation at 2%	1.9
Mid-year Board increases	1.3
Full-year funding	6.3
Mandated	3.6
Internal Investment Savings	(1.0)
Total Ongoing Costs	24.4
Contribution to CIP	3.0
Contribution to Equity Pool Reserve	2.0
Maintain Contingencies per Board policy	4.7
Contribution To Reserves Per Board Policy	1.4
Total One Time Costs	11.1
Total Costs	35.5

General Employees' MOU Adjustments - \$11.8

The county recently approved a three-year labor agreement with the non-safety employees. A 2.0% increase was in effect in January 2002 and an additional 1.0% in July 2002 along with a significant increase in the flexible benefit plan, at a net local cost of \$11.8 million. This continues the provision of local cost funding of MOU increases for the previously self-supporting functions of Planning, Parks and Museums.

Safety Employees' MOU Adjustments - \$3.9

The safety employees' MOU is in the third year of a three-year agreement. The contract calls for a 5% increase in July 2002, at a net local cost increase of \$3.9 million. The agreement will expire in the middle of next fiscal year (December 2002) and additional costs may be incurred in 2002-03 as a result of a new agreement.

Retirement Rate Changes - \$0

Employer retirement contributions are composed of two rates: a rate set actuarially by the Retirement Board and a rate set by the county to cover payment of the pension obligation bond. In 2002-03 the rates from the Retirement Board will fall for both general and safety employees. Offsetting this is an increase in the pension obligation bond rate. As a result, general employee costs will rise \$2.2 million, safety employee costs will decrease \$2.2 million, for a net result of no local cost change. The increased pension obligation bond rate will have the effect of creating an available balance within the bond trust fund that can be used to smooth the impact of future retirement rate increases that will begin to occur in the following fiscal year.

Contribution to Unfunded Fire Area - \$0.5

In 2001-02, the Board approved general fund support towards funding a full-time fire station at the county's Barstow-Daggett Airport jointly funded by the U. S. Army and additional staffing in CSA 38 stations. The full year cost in the upcoming year for this funding is \$500,000.

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Contribution to Office of Emergency Services - \$0.5

In the 2001-02 budget the county contributed \$400,000 to support the Office of Emergency Services (OES), administered through County Service Area 70/County Fire. This office provides coordination of emergency services countywide in the event of major emergency situations in the county, including earthquakes, fires, flooding, and, most recently, acts of terrorism. In 2001-02, the Board approved full general fund support for this office to ensure the county's emergency services capabilities are appropriately funded. Costs to fully fund OES in 2002-03 require an additional \$467,710.

Contribution to Unfunded Fire Area - \$0.1

In 2000-01, the Board approved general fund support towards funding of CSA 38 MOU increases. The full year cost in the upcoming year for this funding is \$430,832, requiring an increase of \$143,532 in 2002-03.

Rate Changes - \$(0.5)

Included in the 2002-03 financing plan are rate adjustments for computer operations and liability rates.

- There will be a change in the billing methodology in 2002-03 for computer operations to more accurately bill those departments that are benefiting from the current services and infrastructure. This change has created additional costs for some departments/entities and additional savings in other departments/entities, the net savings is \$2.0 million. For those entities that had significant increases, the County Administrative Office is recommending a rollout plan that would not charge these entities the increased costs totaling \$0.9 million related to the change in methodology in the first year of implementation. This would allow these entities sufficient time to adjust their financing and/or county services provided to them. The County Administrative Office is also recommending an audit costing approximately \$0.2 million to be performed on the costs behind these rates to determine if this revised billing methodology is the best way to allocate these costs. After these adjustments the savings due to this change in methodology is \$0.9 million in the first year.
- In 2001-02 liability insurance rates were substantially increased based on a five-year plan to assure adequate funding in all liability accounts. This five-year plan needed to be adjusted in year two based on the effect of the September 11 incident on insurance rates especially in property and aircraft insurance. This adjustment requires a net local cost increase of \$0.4 million.

Debt Service - \$(4.0)

The Equipment Bond issue will be retired in 2001-02. Savings from the elimination of this debt service are partially offset by an arbitrage rebate payment that will be due in 2002-03. In addition, \$1.4 million of general fund financing is no longer required for the Arrowhead Regional Medical Center (ARMC) Debt due to ARMC projected revenue increases.

Inflation - \$1.9

Based on a projected inflation rate of 2%, inflation-related increased costs of goods and services are projected to require an additional \$1.9 million in local funding. This amount includes approximately \$400,000 in the Utilities budget due to the known utility rate increases.

Mid-Year Board Increases - \$1.3

Costs increases in this category reflect the Board's Mid-Year approval of the items detailed in Exhibit 1.

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Full-Year Funding - \$6.3

In the 2001-02 approved budget, \$6.4 million of general fund financing was removed from the District Attorney's budget based on the department's available trust fund revenue to cover expenses in that year. This trust fund is expected to be depleted in 2001-02 and general fund financing is required in 2002-03. This funding is offset slightly by the elimination of a one-time policy item of \$0.1 million.

Mandated Programs - \$3.6

Human Services System has \$3.0 million in mandated programs for Aid to Indigents, Foster Care, Aid to Adoptive Children and California Children's Services. The other increase of \$630,836 is to fund the increase in Unemployment Insurance especially for the Preschool Services Department.

Internal Investment Savings - \$(1.0)

In 2001-02 the Board approved one-time internal projects totaling \$2.7 million that, if enacted, would result in ongoing savings in future years. In 2002-03 the cost savings will be \$1.0 million. These savings were mainly in lighting retrofit projects.

Contribution to CIP - \$3.0

As part of the financing plan, \$3.0 million has been allocated to the Capital Improvement Program. County departments have submitted their CIP requests for the upcoming year. Architecture and Engineering is compiling the list of requested projects along with estimated costs for the Board's consideration during the budget workshops at which time the Board can adjust the level of funding to reflect approved projects.

Contribution to Equity Pool Reserve - \$2.0

As part of the approved three-year labor agreement with the non-safety employees, an equity pool needs to be established to fund equity studies and resulting salary increases. A total of \$9.5 million is required in the three-year period. It is estimated that \$2.0 million of costs will be incurred in 2002-03.

Contingencies - \$4.7/Contributions to Reserves - \$1.4

These funding recommendations are based on established county policy.

2% LOCAL COST REDUCTION

The prior sections of this report addressed the financing available and the known new costs for 2002-03. This section addresses the proposed local cost reduction of 2% to locally funded departments, which would generate \$2.3 million in ongoing revenue sources to be used to fund future ongoing costs.

Due to County Policy, ongoing costs must be paid for by ongoing resources. Prior to this reduction there is only \$7.9 million of ongoing resources not allocated for future ongoing costs. There are currently two labor units that are in negotiations and one labor unit's agreement that will expire in the middle of 2002-03. All of these negotiations will require additional ongoing funding sources in 2002-03. In addition, there are other issues not addressed in the financing plan mentioned later in this document that could require the use of ongoing sources of revenue.

The 2% local cost reduction would increase the ongoing resources to \$10.2 million that can be used for future ongoing costs.

COUNTY POLICY

In 1998 the county adopted a formal budget financing policy and a reserve policy. The key elements of these policies are described below:

Budget Finance Policy

- One-time funds will not be used to finance ongoing operational costs, except within the context of a larger plan to balance ongoing revenues and costs over a multi-year period.
- No less than one-third will be allocated to increasing reserves to the 10% target level as defined in the County's Reserve Policy.

Reserve Policy

- The county shall establish an ongoing general-purpose reserve for the general fund targeted at 10% of locally funded appropriations, with a target date of 2002-03 for attaining this goal.
- The county will maintain an appropriated contingency fund to accommodate unanticipated operational changes, legislative impacts or other economic events affecting the county's operations which could not have been reasonable anticipated at the time the budget was prepared. Funding shall be targeted at no less than 1.5% of locally funded appropriations.

The definition of locally funded appropriations is defined as those which are funded by discretionary, unrestricted property tax, sales tax, motor vehicle-in-lieu taxes, interest income, and other revenues not linked to specific programs.

For 2002-03 the locally funded appropriations are projected to be \$316.2 million. A general reserve requirement of 10% would be \$31.6 million and an appropriated contingency of 1.5% would require \$4.7 million.

The financing plan includes \$4.7 million in the county contingency budget and recommends a contribution of \$1.4 million to reserves to satisfy the requirements of these policies.

The county has several types of reserves. Some are for specific purposes, such as to meet future known obligations or to build a reserve for capital projects. The general reserves are funds held to protect the county from unforeseen increases in expenditure or reductions in revenues, or other extraordinary events, which would harm the fiscal health of the county.

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A listing of those reserves and the planned contributions are shown below:

COUNTY RESERVES			
	June 30 2002 Balance	Recommended New Contribution	June 30 2003 Balance
General Purpose Reserves			
Subsequent Years Expenditures	9,300,000	1,398,916	10,698,916
Economic Uncertainty	13,627,528		13,627,528
Lease/Lease Back	7,300,000		7,300,000
Total General Purpose Reserves	30,227,528		31,626,444
Specific Purpose Reserves			
Medical Center Debt Service	31,992,306		31,992,306
West Valley Maximum Security	1,492,986		1,492,986
Reserve For Future Retirement			
Rate Increases	1,500,000		1,500,000
Justice Facilities Reserve	5,205,408		5,205,408
Equity Pool Reserve	0	2,000,000	2,000,000
Total Specific Purpose	40,190,700		42,190,700
Total Reserves	70,418,228	3,398,916	73,817,144

As demonstrated above, the new contribution of \$1.4 million would bring the total general-purpose reserves to \$31.6 million.

The total specific purpose reserves are increased to \$42.2 million with the general fund contribution of \$2.0 million for an equity pool reserve.

It should be noted that the financing plan before the Board today does not include any use of these specific purpose reserves as a means of financing for 2002-03. As such, these funds remain available for multi-year planning and to address future costs such as those associated with juvenile facilities.

ISSUES NOT ADDRESSED IN THE FINANCING PLAN

In developing the financing plan, 61% of the new financing available for 2002-03 has been allocated to fund recommended adjustments (such as MOU increases, rate adjustments and items with prior Board approval) to the Baseline Budget. The remaining 31% of new financing available, in addition to the \$2.3 million from local cost reduction, is available to address many policy and program needs that are not identified nor funded in the financing plan, including:

- Salary Negotiations
- State & Federal Budget Changes
- Pending Litigation
- Retirement Issues
- New Judgeships
- Employee Health Care Costs
- West Valley Juvenile Expansion – Staffing and Utilities

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Also not included in the plan at this time are the following potential financing sources:

- Use of Specific Reserves
- Insurance Restructuring

The CAO's office will work with departments to further define these programs and related costs for the Board's consideration during the budget workshops. In addition to the above, many other departmental needs remain that have historically been treated as policy items during budget hearings.

CONCLUSION

This report has identified \$58.0 million in new financing available and recommends \$35.5 million in base line budget adjustments for the purpose of issuing budget targets to county departments. The financing plan has a total of \$24.8 million available for further Board consideration, which includes a 2% local cost reduction that generated \$2.3 million in ongoing resources.

SUMMARY OF FINANCING PLAN			
	Ongoing	One-time	Total
Financing available	32.3	25.7	58.0
Base line adjustments	(24.4)	(11.1)	(35.5)
2% Local Cost Reduction	<u>2.3</u>		<u>2.3</u>
Balance Available	10.2	14.6	24.8

This report also outlined some of the outstanding issues anticipated to be discussed in more detail in the May budget workshops and in budget hearings in June.

The County Administrative Office will continue to monitor the state and federal budget process for fiscal impacts as well as continue to refine our own estimates of fund balance and revenues available for next fiscal year. This office will also incorporate into the plan any mid-year actions, which may take place during the remainder of this fiscal year.

SUPERVISORIAL DISTRICT(S): All

PRESENTER: Valerie Clay, Deputy Administrative Officer (387-5410)

POLICY ITEMS

DEPARTMENT	APPROP	REVENUE	LOCAL COST	BUDGETED STAFFING	DESCRIPTION	PAGE NO
<u>HUMAN SERVICES SYSTEM</u>						
Public Health	350,000	-	350,000		Health Insurance Portability & Accountability Act (HIPAA) complaint medical billing system.	1-8-10
	287,117	-	287,117		Relocation of Animal Care & Control and Vector Control.	1-8-11
	118,932	-	118,932		Relocation of Redlands area Public Health Clinic, Environmental Health and WIC (Women, Infant & Children).	1-8-12
<u>FISCAL GROUP</u>						
None						
<u>INTERNAL SERVICES GROUP</u>						
Facilities Management	40,000	-	40,000		Contract custodial services	3-2-5
	90,000	-	90,000		1 Energy/Utilities Analyst	3-2-20
Purchasing	115,382	-	115,382		2 Buyer II positions to monitor open purchase orders, procurement card program and department's petty cash funds. Will also assist departments with competitive bidding process.	3-4-4
<u>ECONOMIC DEVELOPMENT/PUBLIC SERVICES GROUP</u>						
Airports	84,157	-	84,157		0.8 Restore funds for salaries (PSE) and services and supplies that were eliminated from budget due to increased Risk Mgmt charges.	5-2-5
Land Use Services- Code Enforcement	198,000	-	198,000		2 Code Enforcement Officer II positions for 1st and 3rd Districts. Request includes salaries and benefits (\$125,000), services and supplies (\$23,000) and two vehicles (\$50,000).	5-8-23
Library	94,766	-	94,766		2.5 Joint use branch library w/Snowline School District.	7-3-7
	61,522	-	61,522		Increased salary and benefit cost related to extended library hours as directed by Board.	7-3-8
	327,254	-	327,254		Restoration of book budget.	7-3-10

POLICY ITEMS

DEPARTMENT	APPROP	REVENUE	LOCAL COST	BUDGETED STAFFING	DESCRIPTION	PAGE NO
Museums	502,027	123,900	378,127	8.5	Restore funds for salaries and benefits and services and supplies for programs that have been cut due to increased salary and benefit cost from mandated conversion of PSE and contract employees to regular status positions.	5-4-7
	42,925	-	42,925	1	Automated Systems Technician to maintain technology infrastructure.	5-4-9
	81,500	-	81,500		Upgrade technology infrastructure to current standards.	5-4-10
	35,000	-	35,000		Compact storage units for History collection.	5-4-11
Office of Small Business Dev	70,649	-	70,649		Restore funding for Procurement Conference.	5-5-12
<u>ADMINISTRATIVE/EXECUTIVE GROUP</u>						
County Administrative Office	40,000	-	40,000		Conduct public opinion research.	6-3-5
	75,000	-	75,000		Inland California Television Network to broadcast Board meetings.	6-3-6
	30,000	-	30,000		Newspaper advertising to promote the county.	6-3-7
Information Services Department	153,584	-	153,584	2	EMACS - Conversion of Programmer Analyst III from contract to regular employees.	6-6-5
	76,592	-	76,592	1	Integrated document management staffing.	6-6-6
<u>LAW & JUSTICE GROUP</u>						
District Attorney	844,850	-	844,850	9	Restore Elder Abuse Program	7-2-6
	297,480	-	297,480	3	Identity Theft Crime Unit	7-2-8
	103,524	-	103,524	2	Clerical workload	7-2-10
Probation	1,276,790	-	1,276,790	14	Adult Sex Offender Program	7-5-9
	1,065,755	-	1,065,755	12	Adult Violent Offender Program	7-5-11
	3,060,287	-	3,060,287	33	Adult caseload supervision	7-5-13
	706,433	93,735	612,698	8	Juvenile caseload enhancement	7-5-15
	121,287	-	121,287	1	Internal investigations	7-5-18
	115,606	21,872	93,734	1	Juvenile Mountain caseload	7-5-20
	75,857	15,623	60,234	1	Juvenile Rancho Probation Officer III	7-5-23
Probation/Detention Corrections	5,238,771	803,771	4,435,000	112	West Valley Juvenile Hall expansion	7-5-30
	2,033,864	-	2,033,864	41	Adjust Central Juvenile Hall replacement factor to provide adequate staffing 24 hours per day, 7 days per week.	7-5-45

POLICY ITEMS

DEPARTMENT	APPROP	REVENUE	LOCAL COST	BUDGETED STAFFING	DESCRIPTION	PAGE NO
Public Admin/Coroner	84,528	-	84,528		Restore of 2% local cost reduction to fund toxicology and body removal.	7-6-6
	81,000	-	81,000	1.5	Restore funding for Deputy Coroner positions.	7-6-7
	270,000	-	270,000	5	Additional Deputy Coroner positions.	7-6-8
	121,933	-	121,933	1	Computerized inventory system for decedent and estate assets.	7-6-9
	240,519	-	240,519	10	Body removal service (10 technicians and 3 vans.)	7-6-10
	5,500	-	5,500	0.12	Restore funding of Deputy Public Administrator position.	7-6-11
	70,000	-	70,000	2	Restore funding for clerical positions.	7-6-12
	52,000	-	52,000	1	Supervising Deputy Public Guardian position	7-6-13
	48,000	-	48,000	1	Deputy Public Guardian position	7-6-14
	63,000	-	63,000	1	Restore funding for Admin Supervisor position	7-6-15
	54,000	-	54,000	1	Automated Systems Analyst position	7-6-16
Public Defender	1,554,041	-	1,554,041	19	Remaining positions requested in response to NLADA audit. Request includes \$3600 per position for office space.	7-7-5
	21,600	-	21,600		Office space for the six positions approved by the Board mid-year to address court expansion and impact of new judgeships.	7-7-6
Sheriff	4,000,000	-	4,000,000		Backfill Prop 172 shortfall to adequately cover overtime and avoid high vacancy factor.	7-8-7
	1,300,000	-	1,300,000	12	Technical positions previously funded by COPS MORE grant.	7-8-9
	356,800	-	356,800	4	Detective and Transcriber Typist positions for Crimes Against Children Detail	7-8-11
	267,400	-	267,400	2	Sheriff's Sgt and Detective for Counter-Terrorism Efforts.	7-8-13
<u>OTHER</u>						
Arts Council for San Bernardino County	113,000	-	113,000		Professional services contract with the Arts Council to fund two positions and associated office expenses.	See next page

POLICY DESCRIPTION FORMDEPARTMENT/GROUP: Economic Development/Public Services Group- Administration BUDGET CODE: _____TITLE: 2002-03 Allocation to the Arts Council for San Bernardino CountyPRIORITY: Rank 1 of 1 FUNDING: Full Year XX Other: ☐ 12 months _____ mos.ITEM STATUS: Restoration: ☐ Program Change: ☐ Workload: ☐

OPERATIONAL AND/OR FISCAL IMPACT: **(Clearly explain the impact on services (attach additional pages if required))** The Board of Supervisors approved an allocation of \$91,500 to the Arts Council of San Bernardino in 2001-02. This allocation was to assist the Council by providing funding for two positions (Publications/Marketing Manager and Part-time Bookkeeper) for 9 months, and for funding certain office expenses of the Council formerly provided by the County Museum.

This proposed allocation includes full-year funding for the two positions, and an inflationary adjustment for the office expenses category. If approved, the current contract between the County and Arts Council would be amended to update the Council's service program for 2002-03 and compensation provisions.

	<u>2002-03</u>	<u>ONGOING 2003-04</u>
APPROPRIATIONS		
Salaries & Benefits (attach additional page if required)	\$ _____	\$ _____
CLASSIFICATIONS		
<u>Budgeted Staff</u> <u>Title</u> <u>Amount</u>		

Services & Supplies—Other Professional Services (contract) costs to the Arts Council for San Bernardino County	\$ <u>113,000</u>	\$ <u>113,000</u>
Other (Specify) _____	_____	_____
Equipment _____	_____	_____
FIXED ASSETS		
<u>Item</u> <u>Amount</u>		

Reimbursements (Specify) _____	_____	_____
TOTAL:	\$ <u><u>113,000</u></u>	\$ <u><u>113,000</u></u>
REVENUE (Specify Source)		
_____	\$ _____	\$ _____
_____	_____	_____
_____	_____	_____
TOTAL:	\$ _____	\$ _____
LOCAL COST	\$ <u><u>113,000</u></u>	\$ <u><u>113,000</u></u>

APPROPRIATIONS SUMMARY

The 2002-03 proposed budget includes appropriations of \$2,547,952,285, an increase of \$54,121,727 or 2.17%.

	Final 2001-02	Proposed 2002-03	Change	% Change
Countywide Operations				
Admin/Exec Group	40,405,390	45,765,345	5,359,955	13.27%
Contingencies	31,396,946	39,101,339	7,704,393	24.54%
ED/Public Services Group	42,869,233	42,482,423	(386,810)	-0.90%
Fiscal Group	35,820,494	35,915,318	94,824	0.26%
Human Services System	1,106,670,346	1,124,980,758	18,310,412	1.65%
Internal Services Group	30,781,091	32,019,111	1,238,020	4.02%
Law & Justice Group	412,486,835	413,965,621	1,478,786	0.36%
Capital Projects & Debt Service	161,073,896	157,698,282	(3,375,614)	-2.10%
Special Revenue Funds	<u>304,724,002</u>	<u>308,494,767</u>	<u>3,770,765</u>	<u>1.24%</u>
Subtotal	2,166,228,233	2,200,422,964	34,194,731	1.58%
Enterprise Funds				
Arrowhead Reg Med Ctr	220,350,734	238,391,803	18,041,069	8.19%
Med Ctr Lease Payments	53,780,139	53,115,289	(664,850)	-1.24%
County Museum Store	174,987	154,789	(20,198)	-11.54%
UltraScreen Theatre	107,062	4,000	(103,062)	-96.26%
Regional Parks Snackbars	73,717	86,262	12,545	17.02%
Solid Waste Management	<u>53,115,686</u>	<u>55,777,178</u>	<u>2,661,492</u>	<u>5.01%</u>
Subtotal	327,602,325	347,529,321	19,926,996	6.08%
Total Countywide Approp	2,493,830,558	2,547,952,285	54,121,727	2.17%

Countywide Operations

Countywide operations show an increase in appropriations of \$33,799,580. The majority of these increases are in the Admin/Exec Group, Contingencies, the Human Services System (HSS), the Internal Services Group, and the Law and Justice Group.

The Admin/Exec Group is restated to exclude the general fund appropriations for contingencies, which is now shown as a separate line item. This group shows an increase due to the addition of a new litigation budget unit, the creation of a new Emerging Technology budget unit within a reorganization of the Information Systems department, and increased unemployment insurance costs.

The appropriation for contingencies includes the amount set aside per county policy (1.5% of locally funded appropriations). The other component of contingencies consists of unallocated financing available to the Board for distribution.

Within Human Services System, major changes include increased costs related to MOU, in-home support service provider costs, caseload, the reclassification of the Aging & Adult Services budget from special revenue to general fund, offset by an anticipated decrease in the State allocation for childcare. In the health care costs budget, decreases in appropriations are the result of accounting changes related to GASB 33. In addition to a State mandated staffing-to-caseload ratios in the California Children's Services program, Public Health appropriation increases are due to grant related programs. Appropriation increases in the Behavioral Health budget reflect an increase in case management services, new programs, and accounting changes as a result of GASB 34.

The Internal Services group increase is primarily caused by the GASB 34 accounting change reclassifying reimbursements as revenue in the Real Property budget. Also reflected is a decrease in the utility budget due to projected savings as a result of lighting retrofit projects.

The Law and Justice group increase is mainly in the Public Defender and Trial Court Funding Maintenance of Effort funding budgets. The Public Defender budget increase is due to the addition of new judgeships. Trial Court Funding increases reflect increased payments to the State for 50% of excess fine and fee collections which exceed the amount prescribed in trial court funding statutes and payments of 25% of the County's portion of excess collections to the Court Facility Program fund.

Capital Projects and Debt Service

Capital Projects and Debt Service appropriations decreased \$3,375,614 primarily due to a reduction in non-departmental appropriations of \$8.2 million. An appropriation decrease of \$7.4 million is attributable to reduced interest expense paid on the Tax Revenue Anticipation Notes (TRANS). This is due both to the decreased size of the borrowing and historical lows in short-term interest rates. The remainder of the decrease is the result of a transfer of appropriation and associated expenses to the newly established litigation budget unit as mentioned above.

Capital Improvement Projects appropriations increased \$8.7 million to approximately \$116.7 million in 2002-03. The \$116.7 million is composed of \$94,916,384 of carry over projects, including the High Desert Detention Center of \$30 million, and \$21,741,251 of new project appropriations.

Also included in the Capital Projects and Debt Service amount are the county redevelopment agency budget units. These budget units declined by approximately \$3.8 million due to the reduced fund balance caused by bond proceeds expended on infrastructure improvements in the San Seavine redevelopment area and the reclassification of interfund transfers out to operating transfers out.

Special Revenue Funds

Special Revenue funds increased \$3,770,765 due to the creation of several new special revenue budgets as a result of GASB 33 and new budgets to account for the Central Courthouse Seismic Retrofit, the Regional Parks Prop 12, and the Regional Parks Prop 40 projects. Also reflected

are increases in the Micrographics Fees, Transportation Etiwanda/I10 reconstruction, Preschool Services, Tobacco Settlement, and Redevelopment budgets. Decreased appropriations included the Sheriff COPS MORE and Prop 36 budgets, as well as the Aging & Adult Services budgets, which were reclassified to general fund as mentioned above.

Enterprise Funds

The increase in Arrowhead Regional Medical Center reflects increased salary & benefit costs and a 6.5% increase in in-patient census. Medical Center Lease Payments decreased slightly, reflecting the elimination of an arbitrage payment, which is due every five years.

The UltraScreen Theatre budget has been reduced to reflect a decrease in rental costs resulting from moving the equipment from a leased facility to the County's central warehouse.

Solid Waste Management appropriations have been increased as a result of GASB 33, which added two new enterprise funds, Environmental and Recycling Programs. Additionally, fixed asset appropriation changes reflect increases in the operations, site closure, and groundwater budgets, offset by decreases in the site enhancement fixed asset appropriations.

REVENUE SUMMARY

The 2002-03 county budget is financed from a variety of sources:

	Final 2001-02	Proposed 2002-03	Change	% Change
<u>REVENUES FOR ALL COUNTY FUNDS</u>				
(Excluding Enterprise Funds)				
Property Taxes	121,164,329	131,262,022	10,097,693	8.33%
Other Taxes	134,163,747	128,926,083	(5,237,664)	-3.90%
State and Federal Aid	1,348,722,081	1,351,836,953	3,114,872	0.23%
Charges for Current Services	292,239,234	305,229,783	12,990,549	4.45%
Other Revenue	<u>133,854,639</u>	<u>122,757,550</u>	<u>(11,097,089)</u>	<u>-8.29%</u>
Subtotal	2,030,144,030	2,040,012,391	9,868,361	0.49%
<u>ENTERPRISE FUND REVENUES</u>				
Arrowhead Reg Med Ctr	222,259,940	246,621,803	24,361,863	10.96%
Med Center Lease Payments	26,449,438	24,466,969	(1,982,469)	-7.50%
County Museum Store	180,000	159,000	(21,000)	-11.67%
UltraScreen Theatre	10,000	7,000	(3,000)	-30.00%
Regional Parks Snackbars	92,000	103,500	11,500	12.50%
Solid Waste Managment	<u>53,684,003</u>	<u>62,263,550</u>	<u>8,579,547</u>	<u>15.98%</u>
Subtotal	302,675,381	333,621,822	30,946,441	10.22%
Total County Revenues	2,332,819,411	2,373,634,213	40,814,802	1.75%

Property tax revenue increased based on higher than projected assessed valuation growth in 2001-02 combined with an estimated increase in assessed valuation of 6% in 2002-03.

Other taxes are decreased due to an anticipated decrease in Prop 172 sales tax. The 2002-03 budget also estimates a 4% decrease in sales tax from prior year budget for sales tax generated in the unincorporated area of the county. Declining budgets for sales tax revenues reflect sharp declines in expected revenues in the current year offset by the expectation of a mild recovery in 2002-03.

State and federal aid growth includes realignment vehicle license fee revenues for health, welfare and Behavioral Health, and increases in welfare programs, such as child welfare services. The non-realignment portion of vehicle license fees is expected to grow 5% over current year-end estimates. This growth represents a slowing growth rate from the 2000-01 and 2001-02 fiscal years, when actual revenues grew in excess of 12% a year. In addition, \$5.2 million of the increase in state and federal aid is due to the creation of a new special revenue fund for the Juvenile Justice grant monies as a result of GASB 33. These increases are offset by a \$5.8 million decrease in state and federal capital grants.

Charges for current services are increased due in part to accounting changes required for compliance with GASB 34, which accounted for \$3.8 million in Alcohol & Drug, \$1.9 million in Transportation, and \$1.0 million in Real Property. In addition, increases are related to departmental business activity, such as law enforcement services, which are expected to increase \$4.9 million as a result of MOU increases, and property tax administration fees of \$1.9 million.

Other revenues include licenses, permits, franchises, fines and penalties, interest earnings, and tobacco settlement funds. The majority of the decrease reflected in other revenue is due to the elimination of the forfeiture trust money in the District Attorney budget and an anticipated decrease in interest earnings. These decreases are offset by increases in revenues from court fines of \$2.9 million and increases related to the creation of several new special revenue funds as required by GASB 33.

Arrowhead Regional Medical Center revenues are expected to grow due to volume increases. This growth is reflected in insurance, private pay, and Medicare revenues. Other increases to revenues include tobacco tax revenues from AB 75.

Revenue for the medical center lease payment fund represents state payments from the Construction Renovation/Reimbursement Program (SB 1732).

Revenues for the UltraScreen Theatre represent interest earnings on the cash balance in the fund.

Solid Waste Management revenues increased primarily due to an increase in the estimated tonnage for the upcoming fiscal year based on actual tonnage trends.

BUDGETED STAFFING SUMMARY

	2001-02 Staffing	Increase from Previous Year			2002-03 Staffing	% Change
		Caseload Driven/ Grant or Special Funded Programs	All Other Programs	Total Change		
General Fund	13,421.2	197.4	34.2	231.6	13,652.8	1.7%
Other Funds	<u>4,384.4</u>	<u>4.1</u>	<u>0.0</u>	<u>4.1</u>	<u>4,388.5</u>	0.1%
Total	17,805.6	201.5	34.2	235.7	18,041.3	

The increase in caseload driven/grant or special funded programs for the general fund includes the following:

- Behavioral Health budgeted staffing is increased by 30.5 to improve case management services and support a new transportation unit that will move patients from State hospitals to community based settings.
- Child Support Services budgeted staffing is reduced by 53.1 to reflect a reduction to budgeted overtime and an increase to the department's vacancy factor, offset by mid-year additions.
- Office on Aging & Adult Services budgeted staffing is increased by 111.9 due to the reclassification of this program from a special revenue fund to a general fund.
- Public Health budgeted staffing is increased by 28.2 due to new positions related to new bioterrorism and "The Earlier the Better" grants.
- California Children's Services budgeted staffing is increased by 50.4 to meet State caseload requirements.
- Sheriff budgeted staffing is increased by 30.0 due to requirements for contracted cities and 1.0 due to the alcohol and drug counseling program for Inmate Welfare.

The increase in other programs budgeted staffing includes the following:

- Human Resources budgeted staffing is increased by 10.5 to further enhance Employee Relations, Employee Benefits, and Classification services. Per GASB 33, Commuter Services staff are transferred to a special revenue fund.
- Treasurer/Tax Collector budgeted staffing is increased by 6.2 and Central Collections budgeted staffing is increased by 4.4 to enhance productivity and customer services.

Countywide staffing changes are outlined by county department in the following chart:

BUDGETED STAFFING SUMMARY

Department	2001-02 Final Budget	2002-03 Proposed Budget	Change
ADMINISTRATIVE/EXECUTIVE GROUP			
<u>GENERAL FUND</u>			
BOARD OF SUPERVISORS	39.5	39.8	0.3
CLERK OF THE BOARD	15.0	15.0	0.0
COUNTY ADMINISTRATIVE OFFICE	32.5	33.5	1.0
COUNTY COUNSEL	69.0	71.0	2.0
HUMAN RESOURCES	119.3	129.8	10.5
HUMAN RESOURCES - EMPLOYEE HEALTH & WELLNESS	13.3	13.8	0.5
INFORMATION SERVICES - APPLICATIONS DEVELOPMENT	117.8	101.3	(16.5)
INFORMATION SERVICES - EMERGING TECHNOLOGIES	0.0	19.1	19.1
INFORMATION SERVICES - GIMS	5.0	0.0	(5.0)
SUPERINTENDENT OF SCHOOLS	0.0	0.0	0.0
SUBTOTAL GENERAL FUND	411.4	423.3	11.9
<u>OTHER FUNDS</u>			
HUMAN RESOURCES - COMMUTER SERVICES	0.0	4.0	4.0
HUMAN RESOURCES - RISK MANAGEMENT	58.0	65.0	7.0
INFORMATION SERVICES - COMPUTER OPERATIONS	165.1	154.4	(10.7)
INFORMATION SERVICES - NETWORK SERVICES	118.1	110.1	(8.0)
SUBTOTAL OTHER FUNDS	341.2	333.5	(7.7)
TOTAL ADMINISTRATIVE/EXECUTIVE GROUP	752.6	756.8	4.2
ECONOMIC DEVELOPMENT/PUBLIC SERVICES GROUP			
<u>GENERAL FUND</u>			
AGRICULTURE, WEIGHTS & MEASURES	69.0	72.7	3.7
AIRPORTS	30.4	28.9	(1.5)
COUNTY MUSEUM	78.9	75.5	(3.4)
ECD - ECONOMIC PROMOTION	2.0	2.0	0.0
ECD - SMALL BUSINESS DEVELOPMENT	5.0	4.0	(1.0)
ECD / PUBLIC SERVICES GROUP	19.5	20.5	1.0
LAND USE SERVICES - ADMINISTRATION	12.0	12.0	0.0
LAND USE SERVICES - CURRENT PLANNING	25.5	27.0	1.5
LAND USE SERVICES - ADVANCE PLANNING	17.5	19.0	1.5
LAND USE SERVICES - BUILDING AND SAFETY	57.2	57.2	0.0
LAND USE SERVICES - CODE ENFORCEMENT	30.0	31.0	1.0
LAND USE SERVICES - FIRE HAZARD ABATEMENT	20.0	20.0	0.0
PUBLIC WORKS - REGIONAL PARKS	124.2	117.1	(7.1)
PUBLIC WORKS - SURVEYOR	37.2	39.3	2.1
REGISTRAR OF VOTERS	40.7	38.6	(2.1)
SPECIAL DISTRICTS - FRANCHISE ADMINISTRATION	3.0	3.0	0.0
SUBTOTAL GENERAL FUND	572.1	567.8	(4.3)

BUDGETED STAFFING SUMMARY

Department	2001-02 Final Budget	2002-03 Proposed Budget	Change
ECONOMIC DEVELOPMENT/PUBLIC SERVICES GROUP (continued)			
<u>OTHER FUNDS</u>			
COUNTY LIBRARY	203.4	212.0	8.6
COUNTY MUSEUM GIFT SHOP	2.8	2.3	(0.5)
ECONOMIC AND COMMUNITY DEVELOPMENT	58.0	61.0	3.0
JESD - WORKFORCE INVESTMENT ACT	173.0	133.0	(40.0)
JESD - APPLICATION DEVELOPMENT	0.0	0.0	0.0
LAND USE SERVICES - HABITAT CONSERVATION	3.0	1.0	(2.0)
PUBLIC WORKS - CALICO GHOST TOWN MARKETING SVCS	0.0	1.0	1.0
PUBLIC WORKS - COUNTY TRAIL SYSTEM	3.0	4.0	1.0
PUBLIC WORKS - REGIONAL PARKS SNACK BAR	1.0	1.0	0.0
PUBLIC WORKS - ROAD OPERATIONS CONSOLIDATED	356.0	364.9	8.9
PUBLIC WORKS - SOLID WASTE MANAGEMENT	59.4	62.3	2.9
REDEVELOPMENT AGENCY-OPERATING FUND	2.0	2.1	0.1
SUBTOTAL OTHER FUNDS	861.6	844.6	(17.0)
TOTAL ECON DEVELOP/PUBLIC SERVICES GROUP	1,433.7	1,412.4	(21.3)
FISCAL GROUP			
<u>GENERAL FUND</u>			
ASSESSOR	170.6	165.8	(4.8)
AUDITOR/CONTROLLER-RECORDER	185.3	189.9	4.6
TREASURER/TAX COLLECTOR	60.3	66.5	6.2
TREASURER/TAX COLLECTOR - CENTRAL COLLECTIONS	89.5	93.9	4.4
SUBTOTAL GENERAL FUND	505.7	516.1	10.4
<u>OTHER FUNDS</u>			
AUDITOR/CONTROLLER - RECORDS MANAGEMENT	2.0	2.0	0.0
STATE/COUNTY PROPERTY TAX ADMINISTRATION	31.0	30.0	(1.0)
SUBTOTAL OTHER FUNDS	33.0	32.0	(1.0)
TOTAL FISCAL GROUP	538.7	548.1	9.4

BUDGETED STAFFING SUMMARY

Department	2001-02 Final Budget	2002-03 Proposed Budget	Change
HUMAN SERVICES SYSTEM			
<u>GENERAL FUND</u>			
ADMINISTRATIVE CLAIM	4,400.6	4,409.1	8.5
AGING AND ADULT SERVICES	0.0	111.9	111.9
BEHAVIORAL HEALTH	696.6	727.1	30.5
BEHAVIORAL HEALTH - OADP	110.9	100.9	(10.0)
CHILD SUPPORT SERVICES	702.8	649.7	(53.1)
HEALTH CARE COSTS	4.0	4.0	0.0
PUBLIC HEALTH	1,072.0	1,100.2	28.2
PUBLIC HEALTH - CALIFORNIA CHILDREN'S SERVICES	103.9	154.3	50.4
VETERANS AFFAIRS	19.0	19.0	0.0
SUBTOTAL GENERAL FUND	7,109.8	7,276.2	166.4
<u>OTHER FUNDS</u>			
AGING AND ADULT SERVICES	96.8	0.0	(96.8)
ARROWHEAD REGIONAL MEDICAL CENTER	2,189.5	2,290.3	100.8
PRESCHOOL SERVICES	622.2	653.7	31.5
SUBTOTAL OTHER FUNDS	2,908.5	2,944.0	35.5
TOTAL HUMAN SERVICES SYSTEM	10,018.3	10,220.2	201.9
INTERNAL SERVICES GROUP			
<u>GENERAL FUND</u>			
ARCHITECTURE AND ENGINEERING	23.0	25.0	2.0
FACILITIES MANAGEMENT - CUSTODIAL	59.0	59.0	0.0
FACILITIES MANAGEMENT - GROUNDS	27.0	28.0	1.0
FACILITIES MANAGEMENT - HOME REPAIR	12.0	12.0	0.0
FACILITIES MANAGEMENT - MAINTENANCE	58.0	59.0	1.0
FACILITIES MANAGEMENT - ADMINISTRATION	4.0	4.0	0.0
PURCHASING	16.0	19.1	3.1
REAL ESTATE SERVICES	26.0	28.0	2.0
SUBTOTAL GENERAL FUND	225.0	234.1	9.1
<u>INTERNAL SERVICE FUNDS</u>			
FLEET MANAGEMENT - GARAGE AND WAREHOUSE	98.0	103.3	5.3
FLEET MANAGEMENT - MOTOR POOL	8.1	8.1	0.0
PURCHASING - MAIL AND COURIER SERVICES	34.0	35.0	1.0
PURCHASING - PRINTING AND MICROFILM SERVICES	18.0	18.0	0.0
PURCHASING - CENTRAL STORES	15.0	15.0	0.0
SUBTOTAL INTERNAL SERVICE FUNDS	173.1	179.4	6.3
TOTAL INTERNAL SERVICES GROUP	398.1	413.5	15.4

BUDGETED STAFFING SUMMARY

Department	2001-02 Final Budget	2002-03 Proposed Budget	Change
LAW AND JUSTICE GROUP			
<u>GENERAL FUND</u>			
COUNTY TRIAL COURTS - DRUG COURT PROGRAMS	0.0	0.0	0.0
COUNTY TRIAL COURTS - INDIGENT DEFENSE	0.0	0.0	0.0
DISTRICT ATTORNEY - CRIMINAL	377.0	376.0	(1.0)
DISTRICT ATTORNEY - CHILD ABDUCTION	7.0	7.0	0.0
GRAND JURY	0.0	0.0	0.0
LAW AND JUSTICE GROUP ADMINISTRATION	1.0	1.0	0.0
PROBATION - ADMINISTRATION/COMM CORRECTIONS	498.0	482.0	(16.0)
PROBATION - INSTITUTIONS	558.0	555.0	(3.0)
PROBATION - PRE-TRIAL DETENTION	7.0	7.0	0.0
PROBATION - AB1913	59.0	78.0	19.0
PUBLIC ADMIN/GUARDIAN/CONSERV/CORONER	78.5	78.5	0.0
PUBLIC DEFENDER	179.2	186.3	7.1
SHERIFF	2,832.5	2,864.5	32.0
SUBTOTAL GENERAL FUND	4,597.2	4,635.3	38.1
<u>OTHER FUNDS</u>			
DISTRICT ATTORNEY - SPECIAL REVENUE	32.0	32.0	0.0
SHERIFF - SPECIAL REVENUE	35.0	23.0	(12.0)
SUBTOTAL OTHER FUNDS	67.0	55.0	(12.0)
TOTAL LAW AND JUSTICE GROUP	4,664.2	4,690.3	26.1
TOTAL COUNTY DEPARTMENTS - GENERAL FUND	13,421.2	13,652.8	231.6
TOTAL COUNTY DEPARTMENTS - OTHER FUNDS	4,384.4	4,388.5	4.1
GRAND TOTAL COUNTY DEPARTMENTS	17,805.6	18,041.3	235.7

RESERVES ANALYSIS

The county has a number of reserves and designations that have been established over the years for a variety of purposes. On January 6, 1998, the Board of Supervisors adopted a county policy to provide guidelines and goals for reserve levels. That policy calls for the county's general purpose reserves to equal 10% of locally funded appropriations by 2002-03. It also anticipates establishing special purpose reserves to help meet future needs.

	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>
Total General Purpose Reserve	25.2	27.4	27.4	30.2	31.9
Specific Purpose Reserves					
Medical Center debt service	11.5	34.3	32.0	32.0	32.1
Justice facilities reserve	3.6	11.7	5.2	5.0	5.0
Juvenile maximum security reserve	0.6	1.2	1.5	1.5	1.5
Future retirement rate increase reserve		1.5	1.5	1.5	1.5
Equity Pool					2.0
Teeter					18.9
Restitution					5.2
Total Specific Purpose Reserves	15.7	48.7	40.2	40.0	66.2
Total Reserves	40.9	76.1	67.6	70.2	98.1

The County has several reserves. Some are for specific purposes, such as to meet future known obligations or to build a reserve for capital projects. The general reserves are funds held to protect the County from unforeseen increases in expenditures or reductions in revenues, or other extraordinary events, which would harm the fiscal health of the County.

For 2001-02, the contribution of \$3.3 million to the Justice Facilities reserve was cancelled, in a mid-year Board action, due to the declining revenues from the federal marshal contract. In addition, a use of \$250,000 of this reserve funded repairs in logic control equipment at the Foothill Law and Justice Center.

For 2002-03, general purpose reserves are increased \$1.7 million. This increase brings general purpose reserves to a total of \$31.9 million, which satisfies the County's general reserve requirement of 10% of locally funded appropriations, which are projected to be \$319.4 million. The total specific purpose reserves are increased to \$66.2 million due to the creation of three new specific purpose reserves. The Medical Center reserve has been increased slightly to reflect a planned contribution pursuant to the Medical Center financing plan. An equity pool has been established to fund the costs and results of employee classification studies. Pursuant to the requirements of GASB 33, amounts previously held in trust funds for the county's Teeter program and restitution revenues have been set aside in reserves for future costs associated with these monies. The contribution to the Justice Facilities Reserve, which had previously been funded in the base budget, has been cancelled due to declining revenues from the federal marshal contract.

LOCAL COST ANALYSIS

County general fund operations are financed with two major types of funding: departmental program revenues; and countywide unallocated revenues, reserves, and fund balance.

Departmental program revenues include fees, service charges, and state and federal support for programs such as welfare, health care, child support and behavioral health. The balance of departmental costs not funded by these departmental revenue sources is considered local cost. Local cost is funded by countywide, non-allocated revenues such as property tax and vehicle license fees as well as other financing such as use of reserves, fund balance and operating transfers.

Gross local cost financing for 2002-03 is \$387,151,113. Shown below are the sources of local cost financing:

COUNTYWIDE REVENUES AND OTHER FINANCING
WHICH PAY FOR GENERAL FUND LOCAL COST

	Final 2001-02	Proposed 2002-03
Net Non-departmental Revenue		
Property Taxes:		
Secured, Unsecured, Unitary	110,935,316	120,116,900
Supplementals, Penalties and Interest	5,250,598	5,443,420
Total Property Taxes:	116,185,914	125,560,320
Vehicle License Fees	103,644,570	115,154,588
Sales and Other Taxes	24,920,674	26,486,450
Net Interest Earnings	23,190,336	17,100,000
COWCAP Revenue	18,662,199	17,500,000
Property Tax Admin Revenue	6,055,600	7,995,750
Booking Fee Revenue	3,937,000	3,937,000
Other State and Federal Aid	2,789,000	3,199,000
Other Revenue	2,179,152	2,430,000
Subtotal	301,564,445	319,363,108
Other Financing		
Fund Balance	30,526,390	39,900,000
Operating Transfers	27,805,406	27,888,005
Subtotal	58,331,796	67,788,005
TOTAL	359,896,241	387,151,113

The most significant sources of county local cost financing are property tax and vehicle license fees. These two sources account for \$240,714,908 or 75.4% of discretionary revenues. Year-end fund balance available for financing is \$39.9 million. Operating transfers includes transfers into the county general fund from the Courthouse and Criminal Justice Construction funds, Solid Waste Management, and the use of \$17.7 million of the tobacco settlement funds to be applied towards Medical Center Debt Service.

Countywide revenues are allocated to various county departments as local cost as outlined in the following chart:

Department Title	Local Cost Final 2001-02	Local Cost Proposed 2002-03
BOARD OF SUPERVISORS (ALL DISTRICTS)	3,999,435	4,237,112
CLERK OF BOARD	798,293	836,118
COUNTY ADMINISTRATIVE OFFICE	3,666,655	3,973,759
COUNTY ADMINISTRATIVE OFFICE-JOINT POWERS LEASES	23,569,659	23,068,480
COUNTY COUNSEL	2,591,855	3,262,891
HUMAN RESOURCES	4,489,029	5,174,453
HUMAN RESOURCES-UNEMPLOYMENT INSURANCE	869,164	1,500,000
INFORMATION SERVICES-EMERGING TECHNOLOGY	-	1,518,270
INFORMATION SERVICES-APPLICATION DEVELOPMENT	6,198,575	5,290,857
INFORMATION SERVICES-GIMS	234,365	-
LITIGATION PROCEEDS & USES	-	809,664
LOCAL AGENCY FORMATION COMMISSION	154,856	161,353
SCHOOL CLAIMS	1,164,116	1,186,804
SUPERINTENDENT OF SCHOOLS	291,934	282,224
ADMINISTRATIVE/EXECUTIVE GROUP SUBTOTAL:	48,027,936	51,301,985
AIRPORTS	58,936	57,757
AGRICULTURE, WEIGHTS AND MEASURES	1,426,413	1,618,704
COUNTY MUSEUM	1,196,284	1,394,726
ECD - ECONOMIC PROMOTION	837,012	858,263
ECD - SMALL BUSINESS DEVELOPMENT	173,368	188,956
ECONOMIC DEVELOPMENT/PUBLIC SVCS GROUP ADMIN	101,589	98,000
LAND USE SERVICES-ADMINISTRATION	100,238	-
LAND USE SERVICES-ADVANCED PLANNING	2,428,459	2,686,024
LAND USE SERVICES-BUILDING AND SAFETY	90,031	88,230
LAND USE SERVICES-CODE ENFORCEMENT	2,395,354	2,544,994
PUBLIC WORKS-REGIONAL PARKS	372,086	647,495
REGISTRAR OF VOTERS	2,513,890	2,720,442
SPECIAL DISTRICTS-FRANCHISE ADMINISTRATION	289,495	296,432
ECON DEVEL/PUBLIC SERVICES GROUP SUBTOTAL:	11,983,155	13,200,023
ASSESSOR	10,856,981	10,344,827
AUDITOR-CONTROLLER/RECORDER	4,511,950	3,889,197
TREASURER-TAX COLLECTOR	2,521,289	2,113,285
FISCAL GROUP SUBTOTAL:	17,890,220	16,347,309

Department Title	Local Cost Final 2001-02	Local Cost Proposed 2002-03
BEHAVIORAL HEALTH	1,842,753	1,842,753
BEHAVIORAL HEALTH-OFFICE OF ALCOHOL & DRUG ABUSE	207,100	207,100
HEALTH CARE COSTS	19,101,403	17,700,000
HSS ADMINISTRATIVE CLAIM	12,998,347	11,764,243
HSS SUBSISTENCE-CALWORKS-FAMILY GROUP	4,086,534	4,634,906
HSS SUBSISTENCE-KIN-GAP PROGRAM	174,190	375,327
HSS SUBSISTENCE-AFDC-FOSTER CARE	14,178,050	13,504,069
HSS SUBSISTENCE-CALWORKS-UNEMPLOYMENT	474,935	566,101
HSS SUBSISTENCE-AID FOR SERIOUSLY EMOTIONALLY DISTURBED	644,580	631,346
HSS SUBSISTENCE-AID TO ADOPTIVE CHILDREN	762,409	927,221
HSS SUBSISTENCE-CHILDREN'S OUT OF HOME CARE	772,000	437,521
HSS SUBSISTENCE-ENTITLEMENT PAYMENTS	13,153	-
HSS-AID TO INDIGENTS	1,077,154	1,344,571
AGING AND ADULT SERVICES	-	974,137
PUBLIC HEALTH	630,000	654,320
PUBLIC HEALTH-CALIFORNIA CHILDREN'S SERVICES	1,284,813	1,538,041
PUBLIC HEALTH-INDIGENT AMBULANCE	472,501	472,501
VETERAN'S AFFAIRS	804,151	844,218
HUMAN SERVICES SYSTEM SUBTOTAL:	59,524,073	58,418,375
ARCHITECTURE AND ENGINEERING	524,617	640,063
FACILITIES MANAGEMENT-CUSTODIAL	1,487,441	1,606,668
FACILITIES MANAGEMENT-GROUNDS	791,423	841,765
FACILITIES MANAGEMENT-MAINTENANCE	3,483,553	3,676,225
FACILITIES MANAGEMENT-ADMINISTRATION	338,580	344,105
FACILITIES MANAGEMENT-UTILITIES	14,885,801	14,256,869
REAL ESTATE SERVICES	518,857	716,602
REAL ESTATE SERVICES-RENTS	698,527	712,498
PURCHASING	855,603	1,135,594
INTERNAL SERVICES GROUP SUBTOTAL:	23,584,402	23,930,389
COUNTY TRIAL COURTS-JUDICIAL BENEFITS/FACILITIES COSTS	1,551,875	1,806,975
COUNTY TRIAL COURTS-MAINTENANCE OF EFFORT	10,131,014	10,131,014
DISTRICT ATTORNEY-CRIMINAL	826,329	9,508,554
GRAND JURY	296,654	301,148
LAW & JUSTICE ADMINISTRATION	61,486	65,080
PROBATION-ADMIN/COMM CORRECTIONS	9,318,557	10,559,986
PROBATION-INSTITUTIONS	14,941,903	17,704,735
PROBATION-PRETRIAL DETENTION	462,691	480,982
PROBATION-YOUTH AUTHORITY	8,300,985	8,329,483
PUB ADMIN/PUB GUARDIAN/CONSERVATOR/CORONER	3,932,979	4,141,894
PUBLIC DEFENDER	14,862,019	16,603,599
SHERIFF	77,016,218	81,742,126
INDIGENT DEFENSE PROGRAM	9,617,905	9,615,047
LAW AND JUSTICE GROUP SUBTOTAL:	151,320,615	170,990,623
SUBTOTAL:	312,330,401	334,188,704
CONTINGENCIES	31,396,946	39,101,339
RESERVE CONTRIBUTIONS	6,100,000	3,791,381
OPERATING TRANSFERS OUT	11,801,989	10,069,689
TOTAL ALLOCATED COSTS:	49,298,935	52,962,409
GRAND TOTAL:	361,629,336	387,151,113

The Board of Supervisors will hear presentations on the 2003-03 Proposed Budget on May 28 – 30, 2002. This budget covers the period from July 1, 2002 – June 30, 2003. Each department is responsible for operating within their budget and has the authority to spend up to the approved budget amount. The County of San Bernardino's 2002-03 Proposed Budget consisting of the general fund, special revenue funds, capital projects funds, and enterprise funds has a total appropriation of \$2.5 billion.

General Fund Budget Process

The County Administrative Office has the responsibility of developing the county financing plan for all general fund departments. The 2002-03 financing plan includes a total of \$319.4 million in discretionary revenue. This revenue is comprised of property taxes, vehicle license fees, interest on the county investment pool, sales tax and other taxes. Mandatory costs such as previously negotiated salary increases, inflation, previous year's Board approved costs and other mandated costs are first financed by the discretionary revenue. After the mandatory costs are financed, the remaining unallocated discretionary revenue is presented to the Board of Supervisors for approval of distribution during the budget workshop. In 2002-03 the amount of unallocated revenue is \$33,310,892.

A budget workshop will be on May 28 – 30, 2002 to discuss each department's proposed budget. Each department submitted a proposed budget based on the general fund financing amount allocated to them and their own departmental revenues. Departments also request funding for those workload and program changes that were unable to be financed in their proposed budget.

Any budgetary changes the Board of Supervisors approve at the budget workshop will be incorporated in the 2002-03 budget that will be presented to the Board during the budget and fee hearing beginning June 17, 2002 at 1:30 in the Board Chambers.

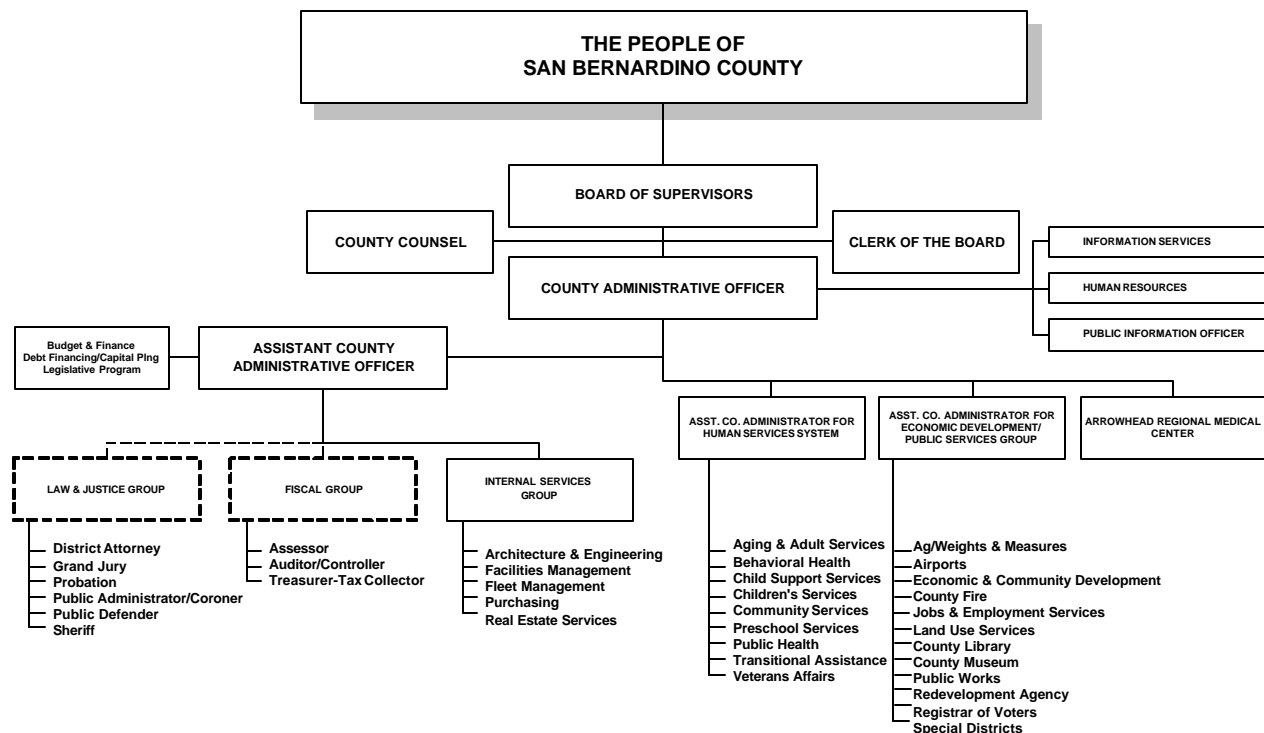
This hearing is to obtain public input on the county budget and fee ordinance changes and to obtain additional Board changes to incorporate into the 2002-03 final budget. Revenues not previously allocated in the budget workshop will be available for allocation at the budget hearings.

Other Funds Budget Process

In addition to the general fund, the County of San Bernardino has special revenue funds, capital projects funds, internal service funds and enterprise funds. All of these funds are restricted to the revenue sources they receive. Each department who has these types of funds is responsible for developing its budget based on the revenue resources available to them. These resources include projected revenue to be collected in 2002-03 and any revenue not spent and carried forward from prior years (for example, fund balance for special revenue funds). These budgets will also be discussed during the budget workshop and budget and fee hearing.

Proposed Budget Workbook Format

The County of San Bernardino's 2002-03 Proposed Budget is presented in this book based on the County Organizational Structure, which is depicted below. The Administrative/Executive Group is those departments that report directly to the Board of Supervisors or those departments that report directly to the County Administrative Office which perform functions related to the overall support of the county. In addition, there is a sample of the departmental budget format on pages 3 – 5 of this Preface that shows and explains how each budget unit is presented in the book. There is also a list of Proposed Budget Definitions on pages 6 – 10 of this Preface that defines budget terms commonly used throughout the budget workbook.



Departments that have multiple budget units will have a summary at the front that lists the budget units and the proposed budgets for 2002-03 which they are responsible for

OVERVIEW OF BUDGET

The department name and responsible administrator are listed at the top.

DEPARTMENT:
DEPARTMENT HEAD:

Budget #1
Budget #2
Budget #3
Total

2002-03				
Operating Exp/ Appropriation	Revenue	Rev Over(Under) Exp/ Fund Balance	Local Cost	Staffing
			-	
		-	-	
		-	-	-
		-	-	-

BUDGET UNIT: BUDGET UNIT NAME (FUND DEPT)

I. GENERAL PROGRAM STATEMENT

Section I is the General Program Statement, which provides a narrative describing the function and activity of the budget in question.

II. BUDGET & WORKLOAD HISTORY

Total Appropriation
Total Revenue
Local Cost
Budgeted Staffing

Workload Indicators

Workload Indicator #1
Workload Indicator #2

Actual 2000-01	Budget 2001-02	Estimated 2001-02	Budget 2002-03
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Section II is the Budget & Workload History, which provides a historical overview of the budget unit, including prior year actuals, the current year adopted budget and year-end estimates, and the proposed budget for next fiscal year.

It also includes budget and actual information related to measurements of workload, called Workload

For those departments that have significant variances between budget and estimates in 2001-02, there will be an explanation of why this occurred. The 2001-02 Budget is the original budget adopted in late June and does not reflect any mid year changes approved by the Board during the fiscal year. In many cases, this is why there are variances between budget and estimates in 2001-02.

III. HIGHLIGHTS OF RECOMMENDED PROGRAM FUNDED ADJUSTMENTS

STAFFING CHANGES

PROGRAM CHANGES

OTHER CHANGES

IV. POLICY ITEMS

Section III highlights, in narrative form, some of the major changes that are detailed in the Recommended Program Funded Adjustments column in the Analysis of 2002-03 Budget. Not all departments will have information here, especially if the overall functioning and responsibilities of the department have not changed.

If there are important changes to highlight, they will be broken out into the categories of Staffing, Program, and/or Other Changes.

Section IV highlights any policy item requests that are detailed in the following sections. Policy items are those workload and program changes that were unable to be financed and the department is requesting funding for.

Section V highlights any proposed fee changes that are detailed in the following sections. These fee changes will not be incorporated into the

V. FEE CHANGES

GROUP:
DEPARTMENT:
FUND:

The header shows which budget you are looking at and lists the Function and Activity that tie this page to the summary financial schedules prepared by the Auditor's Office.

FUNCTION:
ACTIVITY:

ANALYSIS OF 2002-03 BUDGET

A	B	C	D	B+C+D E	F	E+F G	H
2001-02 Year-End Estimates	2001-02 Final Budget	Base Year Adjustments	Mid-Year Adjustments	Board Approved Base Budget	Recommended Program Funded Adjustments	2002-03 Proposed Budget	Policy Items/Fee Adj.
<p>Appropriations</p> <p>Salaries and Benefits</p> <p>Services and Supplies</p> <p>Central Computer</p> <p>Other Charges</p> <p>Equipment</p> <p>Transfers</p> <p>Total Exp Authority</p> <p>Less:</p> <p>Reimbursements</p> <p>Total Appropriation</p> <p>Revenue</p> <p>Use of Money & Prop</p> <p>Taxes</p> <p>Current Services</p> <p>State, Fed or Gov't Aid</p> <p>Other Revenue</p> <p>Other Financing Sources</p> <p>Total Revenue</p> <p>Local Cost</p> <p>Budgeted Staffing</p>							
<p>This section provides a summary overview of how the budget incrementally progresses from current year adopted to the proposed budget. A more detailed breakout of these expenditure and revenue changes by category is included in the following sections.</p> <p>2001-02 Year-End Estimates are included for informational purposes. From left to right following the 2001-02 Year-End Estimates are: 2001-02 Final Budget; the Board approved Base Year Adjustments which include non-discretionary budget changes, such as changes due to legal requirements or salary negotiations; and Mid-Year Adjustments which include Board approved changes to the base budget. These are totaled in the Board Approved Base Budget column.</p> <p>Recommended Program Funded Adjustments represent changes requested by the department and recommended by the CAO that fall within the overall budget financing given to a department. This could consist of a reallocation of resources from one category to another within a departmental budget or an increase in expenditure authority based on new program revenue.</p> <p>The 2002-03 Proposed Budget column is a combination of the Board Approved Base Budget and Recommended Program Funded Adjustments columns.</p> <p>Policy Items represent budget requests that require General Fund financing</p>							

Base Year Adjustments

Salaries and Benefits	
Services and Supplies	
Central Computer	
Base Year Appropriation	-
Base Year Revenue	-
Base Year Local Cost	-

This section shows detail of changes that are being added to last year's adopted budget to create this years "Base Budget", or starting point from which the budget is built.

Mid-Year Adjustments

Mid-Year Appropriation	-
Mid-Year Revenue	-
Mid-Year Local Cost	-

This section shows detail of Board approved mid-year adjustments to last year's adopted budget.

Recommended Program Funded Adjustments

Salaries and Benefits	-
Services and Supplies	-
Central Computer	-
Equipment	-
Transfers	-
Total Expenditure Authority	-
Reimbursements	-
Total Appropriations	-
Total Revenues	-
Local Cost	-

This section shows detail of department requests and CAO recommended changes to the base budget that fall within a department's overall budget financing.

Staffing Changes

Classification	Authorized Position Changes	Budgeted FTE Changes	Program/Reason	Request Type	Temporary/Ongoing
Total:	0	0			

This section shows detail staffing changes that are included in the proposed budget and fall within a department's overall budget financing.

POLICY ITEMS

Appropriation	Revenue	Local Cost	Budgeted Staffing	Description
0	0	0	0	Totals

This section lists a department's budget requests that require General Fund financing augmentation. Policy items are further detailed on a Policy Description Form.

PROPOSED BUDGET DEFINITIONS

2% Budget Reduction: This year's budget includes a 2% cost reduction that was applied to locally funded departments. This generated \$2.3 million in ongoing revenue to fund future ongoing costs.

2420 One-time Shift: This fiscal year there is a change to the rate structure for charging departments for Central Computer services (object code 2410). This change has resulted in some services that were previously charged under object code 2410 to be charged to object code 2420. The 2420 One-time Shift adjusts the affected departments budgets to reflect this change.

Activity – A component within a fund; usually a specific line of work performed to accomplish a function for which a governmental unit is responsible.

Appropriation: An authorization granted by a legislative body to make expenditures and incur obligations for a specific purpose.

Base Year Adjustments: All non-discretionary budget changes that are factored into the base budget and approved by the Board with the County Administrative Office's financing plan; these include the cost of new mandates and negotiated salary increases.

Board Approved Base Budget: The Board Approved Base Budget reflects the anticipated costs of carrying out the current level of service or activities as authorized by the Board of Supervisors in the prior years. It may include an adjustment for cost increases, but does not include changes in level of service over that authorized by the Board of Supervisors. This year's base budget represents the prior year approved budget plus mandated costs such as salary negotiations (MOU), retirement costs, inflation, risk management liabilities and previous year's mid year Board approved costs.

Budgeted Staffing: The equivalent of full-time positions funded in the budget.

Capital Project Funds: Capital Project Funds are used to account for financial resources designated for the acquisition or construction of major capital facilities other than those financed by Enterprise and Internal Service Funds.

Central Computer: Central Computer expense category is set up specifically to allocate Information Services Department's computer charges to departments based on usage. These are countywide costs for computer infrastructure such as email, wide area network, payroll processing, and software/hardware staff support. Each departmental Central Computer budget amount is estimated at the beginning of the fiscal year by the Information Services Department and is billed based on that estimate. Next year's budget will be adjusted based upon the actual usage of the prior fiscal year.

Contingencies: An amount set aside within a budget for unforeseen expenditure requirements. Board action must be take to spend contingency funds.

COWCAP: COWCAP is an acronym that stands for County Wide Cost Allocation Plan. It is the method by which indirect support costs for services such as Human Resources, Payroll, Purchasing, etc. are allocated to departments. It is prepared annually by the County Auditor/Controller-Recorder in accordance with the Office of Management and Budget, Budget Circular A-87, which is the guideline for state and federal reimbursements for indirect costs.

Department: An organizational devised used by County management to group programs of a like nature.

Depreciation: The recording of expiration in the service life of fixed assets attributable to wear and tear, deterioration, action of the physical elements, inadequacy, and obsolescence.

Discretionary Revenue: Revenue not legally designated for a specific purpose or program that can be appropriated at the discretion of the Board of Supervisors.

Employee Health & Productivity Program (EHaP): A modified duty/return to work program that utilizes specialized nurses to obtain effective and timely treatment for injured or ill employees. Overall goals are to return the employee to the workplace as soon as possible and to increase the health and productivity of employees through health promotion and risk reduction programs.

Enterprise Funds: Enterprise Funds are established to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through operational revenues.

Fiscal Year: County accounting period which runs from July 1 through June 30.

Fixed Asset: An asset of a long-term character such as land, buildings, or furniture and other equipment costing \$5,000 or more.

FTE – Full-Time Equivalent: A unit of measure of staff time based upon the number of hours per year a full-time employee is expected to work. For example: if two employees each work half that number of hours per year, those two employees together equal one full-time equivalent.

Function: A group of related activities aimed at accomplishing a major service for which a governmental unit is responsible. This designation is specified by the State Controller. For example: “Public Protection” is the function of the Sheriff’s Department.

Fund Balance: The excess of assets of a special revenue fund over its liabilities.

GASB 33: GASB 33 is short for Governmental Accounting Standards Board, Statement 33. Statement #33 establishes accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. A nonexchange transaction is where a government gives or receives value without directly receiving or giving value in return. Some examples of nonexchange transactions are taxes, grants, fines, donations, and state and federal funding.

The main change is revenue must be recognized for the above transactions when the underlying exchange has occurred or when eligibility requirements are met. Therefore, money that is received under this criteria and is being put aside in trust funds must be recognized when received and trust funds that are not fiduciary in nature must be eliminated.

GASB 34: GASB 34 is short for Governmental Accounting Standards Board, Statement 34. Statement #34 establishes new requirements for the annual financial reports of state and local governments. The goal is to make annual reports easier to understand and more useful to people who use governmental financial information to make decisions.

There are many components of GASB 34, but as it relates to the budget, it is primarily composed of how services provided between county budget units are accounted for. GASB 34 specifies how payments for services should be accounted for, i.e. either as reimbursements or as revenues. While the net impact is zero, reclassifications between these two categories cause inconsistencies when comparing year-to-year budgets by specific expense or revenue categories. In situations where this impact is significant, the departments have included an explanation of the reclassification.

General Fund: The General Fund is used to account for resources traditionally associated with government which are not accounted for in a specific fund to satisfy legal requirements or financial management objectives.

Internal Service Funds: Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit on a cost reimbursement basis.

Local Cost: Local cost is the amount contributed by the county general fund from its general revenue sources to finance the activities of a department.

Memorandum of Understanding (MOU): For budget purposes, the MOU refers to an approved labor agreement between the County and an employee labor organization that details the salary, benefits, and other conditions of employment.

Mid-year Adjustments: Board approved changes to a department's budget after the adoption of the final budget.

Operating Transfers In/Out: A method of providing financing from one fund to another for the implementation of a project or program.

Other Charges: A category of accounts established for expenditures other than salaries and benefits, services and supplies, and fixed assets. Example: In Home Supportive Services.

Proposed Budget: The working document of the fiscal year under discussion. Approval of this document does not allow expenditures for fixed assets and for new permanent employee positions unless specifically approved by the Board of Supervisors.

Proposition 172: A permanent extension of a half-cent Local Public Safety Sales Tax approved by California voters on November 2, 1993. Proceeds of this sales tax must be dedicated to public safety.

Public Service Employee (PSE): PSEs are employees assigned to entry level positions in a variety of fields and occupations for a limited duration. They are not full regular county employees and are subject to an expedited recruiting process to accommodate additional workload or to handle one-time special projects. They do not receive the full range of benefits, nor have the civil service status of regular county employees.

Realignment Funding (Health & Welfare): In 1991/92 the state approved the Health & Welfare Realignment Program which involves a shift of program responsibilities from the state to the counties. This shift is funded through corresponding shift of dedicated Sales Tax and Vehicle License Fee revenue.

Reimbursements: Amount received as a repayment of the cost of work, or service performed, or of other expenditures made for or on behalf of another governmental unit or department. Reimbursements represent the recovery of an expenditure.

Revenue: The addition of cash or other current assets of governmental costs funds (receipts) which do not increase any liability or reserve and do not represent the recovery of an expenditure, i.e., reimbursements. Generally, revenue is derived from taxes, licenses and fees or investment earnings. Revenues are deposited in a fund for future appropriation.

SB 90 State-Mandated Local Program: State reimbursements to local governments for the cost of activities required by State legislative and executive acts.

Special Revenue Funds: Special Revenue Funds account for the proceeds of specific sources that are legally restricted to expenditures for specific purposes.

Transfers: The movement of resources from one fund to another usually for payment of services received.

Vacancy factor: Many departments use a vacancy factor in the budget to estimate employee turnover and periods when departments will not incur the full cost of a position. Positions where specific knowledge of turnover can be predicted are budgeted as such, but during the normal course of business there are many positions that might unexpectedly go unfilled due to delays in hiring or an employee vacating a position. The department handles these unforeseeable vacancies by budgeting a “vacancy factor,” which represent the normal turnover in the system.

Example: A department has 20 full time positions. It is not known that any of the incumbents will leave during the year, but, experience indicates that on average one of the twenty positions will be in a state of turnover at any given time. Because the vacancy does not relate to a specific position, the department will budget 1.0 position as a vacancy factor resulting in the department having 20 approved positions and 19.0 budgeted positions. In this way they can avoid over budgeting for salaries.